



# Audit, Risk & Assurance Committee

<b>Date</b>	15 September 2017
<b>Report title</b>	WMCA Assurance Overview September 2017
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<b>Report to be/has been considered by</b>	None

## **Recommendation(s) for action or decision:**

The Audit, Risk & Assurance Committee is recommended to:

- a. Note the assurance reviews and activities that have been undertaken in the last quarter (paragraphs 4-18)
- b. Confirm that ARAC are satisfied with the assurance activity April – August 2017
- c. Note that the risk and assurance processes and reporting will be reviewed again once the WMCA leadership team is appointed.

## **Purpose of Report**

1. The report provides Members the views of WMCA's Corporate Assurance Manager's opinion on the Authority's systems of Project & Programme Assurance and Business Assurance (including Risk Management, Internal Audit and Business Continuity & resilience) for this reporting period April 2017 – August 2017.

## **Background**

2. The intention of the report is to summarise the assurance activity since the last reporting period and highlight any matters that are of concern that require further consideration or additional assurance activity.
3. Since the last update and supporting the transitional arrangements to WMCA, the Corporate Assurance team have continued to develop and refine appropriate assurance processes for the West Midlands Combined Authority. A brief summary of this activity is also provided in this report for note at this point in time.

## **Project & Programme Assurance**

### TfWM/ Corporate Services Minor Project Assurance Summary

4. A total of 20 project assurance reviews have been undertaken by the Corporate Assurance Team in this period. These projects follow the WMCA Gateway Project Methodology for minor projects. Of these, two reviews considered projects which are likely to be in excess of the £5m threshold normally applied to minor projects. These were Longbridge Park and Ride and University Station redevelopment. These projects are in the definition and planning stages and once in delivery a more detailed assurance review will be undertaken.
5. Of the 20 project assurance reviews undertaken since the last update, just under half were for new proposed projects to initiate some development activity (8/20). A similar proportion were undertaken to continue development activity to the next gateway stage (8/20). The assurance reviews recommended that all these proposed projects progress to the next gateway stage. There was no area of significant risk identified with these assurance reviews. A smaller number (3/20) of the project completed project delivery and captured lessons learned. Finally in accordance with established assurance criteria a Health Check review (1/20) was undertaken for a project which had fallen behind its delivery schedule.
6. In accordance with the position reported to the last meeting of this committee, there have been reviews on capital projects which are funded through the Integrated Transport Block approved in March 2017. The main focus of these has been managing the existing asset base with respect to replacement and, or renewal of life expired/obsolete equipment, in order to endeavour to maintain a steady state of asset condition across the estate.
7. As a consequence of the quarterly assurance, the project/programme governance arrangements for the Minor Works projects have also been reviewed and a recommendation report presented to the joint TfWM/ Corporate Services Board for consideration. The revised arrangements resulting from this review should strengthen both the assurance and governance arrangements for the minor works projects.

### WMCA Investment Programme Major Project Assurance Summary

8. Programme Assurance arrangements for major projects within the Investment Programme have continued to be undertaken in accordance to the approved WMCA Assurance Framework and project investment process. Technical Appraisal Panel has been initiated which is made up of independent subject matter experts to provide initial assurance on submission of business cases for funding for Investment Programme funding.
9. Covering the period April – August 2017, 9 business cases have been reviewed by Technical Appraisal Panel (TAP). Namely;
  - Coventry UKC Plus A46 Link Road Phase 1 - (Outline Business Case)
  - Coventry UKC Plus A46 Link Road Phase 2 - (Outline Business Case)
  - Coventry UKC Plus A46 Link Road Phase 3 - (Outline Business Case)
  - Coventry UKC Plus Binley and Walsgrave Junction - (Outline Business Case)
  - Coventry UKC Plus Coventry South Interchange - (Outline Business Case)
  - Coventry South Tile Hill Station Improvements - (Outline Business Case)
  - Sprint A34 Walsall to Birmingham - (Outline Business Case)
  - Sprint Birmingham to Longbridge - (Strategic Outline Business Case)
  - Metro Wednesbury to Brierley Hill Extension - (Outline Business Case)
10. With the projects in the earlier development stages (strategic/outline business case stage), there were no significant risks raised. All projects were proposed as part of the Investment Programme at the initiation of WMCA and the development funding request at these stages is in line with forecast. These projects will be reviewed at Technical Appraisal Panel at the next business case submission stage. If any significant risks are highlighted at that stage further assurance reviews will be undertaken to provide further surety. These projects have now progressed onto the next assurance stage and are requesting financial assurance from the Investment Advisory Group prior to approval progression from the WMCA Management Board.
11. Of the business cases reviewed above, only the projects listed next have drawn down development funding to develop subsequent business cases further – Coventry UKC Plus, A46 Link Road Phase 2 (£100,000), Coventry UKC Plus A46 Link road Phase 3, (£100,000), UKC Plus Coventry South Interchange (£40,000), Coventry UKC Plus Tile Hill Station Improvements (£200,000), Sprint A34 Birmingham to Walsall (£300,000) and Sprint Birmingham to Walsall (£300,000). The funding awarded to these projects support the development of these projects to the next business case stage.
12. Metro – Wednesbury to Brierley Hill Extension. Outline Business Case submission was reviewed by Technical Appraisal Panel. The recommendation from TAP was that the Outline Business Case to progress to Investment Advisory Group on 08/05/17 with the caveat that an independent audit be undertaken once the Metro Alliance appoint an independent auditor. The findings will be reported back into the assurance process at a later date.

## **Business Assurance**

### Business Plan 2017/18 Progress:

13. Progress of the 2017/18 annual business plan is monitored monthly by internal Management Boards with key risks impacting on its delivery, being escalated to the corporate risk register. The current status of deliverables within the plan are all set at a satisfactory level and any risks are contained at management level, providing assurance that full delivery is expected to be achieved within the timescales set. The 2018/19 business planning cycle will commence in October 2017.

### WMCA Business Continuity & Resilience:

14. Business Continuity arrangements continue to be refined to meet the demands of the business. Following the introduction of management On-Call arrangements, a number of issues have been successfully resolved with limited impact to the business including the public transport response to the extended evacuation following the discovery of a WW2 bomb in Birmingham. The Disaster Recovery facilities are also being refreshed. A separate report providing further details on business continuity arrangements is to be provided to Audit, Risk and Assurance committee.

### Risk Management:

15. Regular risk management review meetings are now in place across all WMCA activities including Commissions to enable full visibility of key risks having the potential to impact on the organisation. A separate report is to be presented to this committee providing a detailed summary of the current risk position and provides confirmation that there is currently no high level risk exposure at the present time.
16. There are a total of 11 Operational Risk Registers feeding into the WMCA Strategic Corporate Risk Register. Meetings continue to be held with the TfWM Director, Corporate Services Director, Economic Intelligent Unit Director and each of the Commissions to ascertain the level of risk exposure in each of these areas to determine the assurance conclusions.
17. 3 new risks have been added onto the Strategic Risk Register related to Pensions, the Commonwealth Games and Funding. None of these risks are red and further detail is provided in the separate risk report being presented to the Committee.
18. A view has been expressed by Overview and Scrutiny Committee over whether WMCA are considering Strategic as opposed to Operational risks. At the present, the senior management team are content with the risk reporting but this will be reviewed once the new WMCA leadership team are appointed.

### Internal Audit:

19. A total of 3 internal audits were undertaken during the reporting period. The audits covered Programme Management appraisal and support functions; the TfWM Capital Programme Prioritisation process; and the management of Expenses, Gifts and Hospitality. Each of these areas were issued with a satisfactory rating providing assurance that robust controls are in place. Details of these audits are presented separately to this meeting.

20. A number of issues were identified as part of these audits and recommendations have been provided and will be followed up by the respective management teams. The completion of all actions has been set for December 2017, after which Internal Audit will further test these arrangements as part of their follow-on review activity that is undertaken for all audits findings.

#### WMCA Transition:

21. Since the last Audit, Risk & Assurance Committee, Deborah Cadman OBE has been appointed as the new West Midlands Combined Authority Chief Executive. Sean Pearce has been appointed the Director of Finance for the Combined Authority and will commence the new position in October 2017. Julia Goldsworthy is to join the West Midlands Combined Authority (WMCA) as the Director of Strategy. The WMCA is also currently recruiting a Strategic Director of Housing & Regeneration and a Director of Skills & Productivity. Once the WMCA Senior Leadership have been appointed, they will need to give a view regarding assurance processes and risk reporting arrangements.
22. In this period, the Corporate Assurance Manager has met each of the Commission's leads as well to understand the assurance arrangements and risks for each of these areas. The Mental Health Commission and Productivity & Skills Commissions are now commencing into implementation. Adult Education has been awarded £1m by central government, the Education Support Pilot has been awarded £4.7m again by central government as part of devolution. The Mental Health Programme will deliver 21 projects over 5 areas. The Commission has been awarded £8m as part of devolution to deliver the Individual Placement & Support Programme.
23. Governance and reporting arrangements for the commissions will be reviewed once the new leadership team is appointed. There is no significant risk to raise at this point with either of these commissions. Both have funding in place to appoint resources to deliver the programmes. Recruitment and resources risk will be escalated to the strategic level if appointments are not successful or within required timescales.
24. Public Service Reform (PSR) Commission is still in the development stages and are determining with the PSR Board its key focus and priorities. There are no risks to raise from this area to the strategic risk register.

#### **Conclusion**

25. There has been substantial assurance activity in the last period covering the project, programme and business assurance environments. The Corporate Assurance Team have been instrumental in these reviews to identify and reduce the Combined Authority's risk exposure in these areas. Assurance activity continues to review WMCA's wider remit including the Investment Programme which is progressing as expected at the current time.